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Message Text

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PAGE 01 SEOUL 07615 221331Z

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ACTION EA-09

INFO OCT-01 ISO-00 PM-04 EAE-00 ONY-00 /014 W
---------- 007786
P 221010Z SEP 76
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC PRIORITY 9631

C O N F I D E N T I A L SEOUL 7615

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FOR EA AND PM ONLY

EO 11652: GDS
TAGS: MASS, KS
SUBJECT: FY 78 FMS CREDIT LEVEL

1. IT HAS COME TO OUR ATTENTION THAT DOD WILL REQUEST $250.0 M FMS CREDIT FOR FY 78. THESE FIGURES ARE SHOW IN THE 9TH SCM FACTBOOK AND THE DOD MSAP DATED 2 APRIL 76.

2. THE MSAP SUBMITTED BY COUNTRY TEAM AS INPUT TO DOD MSAP HAD REQUESTED $286.2 M. THIS FIGURE WAS THOROUGHLY DISCUSSED AND REPRESENTS OUR LOWEST REALISTIC ESTIMATE OF KOREAN REQUIREMENTS. THE FOLLOWING CONSIDERATIONS WEIGHED HEAVILY IN OUR MSAP RECOMMENDATION AND REMAIN AT LEAST AS VALID NOW AS THEY WERE THEN.

A. NEW FIP INVESTMENT ITEMS FOR FY 78 ARE ANTICIPATED TO REQUIRE $429.5 M IN FX FROM ALL SOURCES. AFTER MEETING O&M REQUIREMENTS, ROKS WILL HAVE ONLY $130.3 M OF THEIR OWN FX FOR INVESTMENT. THEREFORE, OUR REQUEST FOR $286.2 M FMS CREDIT WOULD STILL LEAVE A SHORTFALL OF $13.0 M FX REQUIRED FOR PROJECTED INVESTMENT EXPENDITURES FOR DEFENSE. ROK HAS AGREED TO INTERNAL "BELT TIGHTENING" TO MAKE UP $13.0 M DIFFERENCE. EVEN THIS BELT TIGHTENING WILL REDUCE ABILITY TO IMPROVE DEFENSE POSTURE. FURTHER CUTS ARE LIKELY TO HAVE SUBSTANTIALLY GREATER IMPACT ON FORCE EFFECTIVENESS, PARTICULARLY CONSIDERING
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PROSPECTS FOR CONTINUED PRICE INCREASES.

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B. IT IS CONTINUING U.S. VIEW THAT ROK SECURITY IS OF GREAT IMPORTANCE TO U.S. INTERESTS. THE U.S. SHOULD THEREFORE CONTINUE TO BOLSTER ROK EFFORTS TOWARD EARLY SELF-RELIANCE, AND PROVIDE MAXIMUM REASSURANCE TO ROK REGARDING RELIABILITY OF U.S. SUPPORT IN THAT EFFORT.

C. ROK HAS MADE RAPID TRANSITION FROM GRANT AID TO FMS, AND NOW RANKS IN THE TOP TEN COUNTRIES FOR TOTAL DOLLAR PROGRAM. ROK EXPENDITURES ON DEFENSE BUDGET HAVE INCREASED AS RAPIDLY AS ECONOMIC CONDITIONS PERMIT. WE DO NOT THINK THAT THIS EVIDENT SELF-HELP PERFORMANCE SHOULD BE REWARDED BY CUTTING BACK THE RECENTLY DEVELOPED ALTERNATIVE FUNDING SOURCE.

A3. THE MAJOR CONSIDERATIONS MENTIONED ABOVE LEAD US TO CONCLUDE THAT THE U.S. SHOULD PROVIDE THE ROK $286.2 M CREDIT FOR FY 78 AND THAT THIS RECOMMENDATION SHOULD BE UPHELD IN CONTINUING INTER-AGENCY NEGOTIATIONS.

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